Docket No. 20000-___-ER-20
Witness: Joelle R. Steward

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Direct Testimony of Joelle R. Steward

March 2020

I. INTRODUCTION OF WITNESS AND QUALIFICATIONS

Q. Please state your name, business address, and present position with PacifiCorp, d/b/a Rocky Mountain Power ("Rocky Mountain Power" or the "Company").

A. My name is Joelle R. Steward. My business address is 1407 West North Temple, Salt Lake City, Utah 84116. My present position is Vice President, Regulation for Rocky Mountain Power.

Q. Please summarize your education and business experience.

A. I have a B.A. degree in Political Science from the University of Oregon and an M.A. in Public Affairs from the Hubert Humphrey Institute of Public Policy at the University of Minnesota. Between 1999 and March 2007, I was employed as a Regulatory Analyst with the Washington Utilities and Transportation Commission. I joined the Company in March 2007 as a Regulatory Manager, responsible for all regulatory filings and proceedings in Oregon. On February 14, 2012, I assumed responsibilities overseeing cost of service and pricing for PacifiCorp. In May 2015, I assumed broader oversight over Rocky Mountain Power's regulatory affairs in addition to the cost of service and pricing responsibilities; and in 2017 I assumed my current role as Vice President, Regulation for Rocky Mountain Power.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I have testified on various matters in the states of Idaho, Oregon, Utah, Washington, and Wyoming.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your direct testimony?

A. I provide an overview of Rocky Mountain Power's current filing and support the Company's policy positions throughout this filing. In this general rate case filing, the Company is requesting an increase in rates of approximately $7.1 million, or 1.1 percent. This increase is relatively modest because, as explained in the testimony of Mr. Gary W. Hoogeveen, the Company has made a concerted effort to manage its controllable costs since the Company's last general rate case in 2015 ("2015 GRC")[1] and to pursue innovative opportunities like the Energy Imbalance Market and Energy Vision 2020. Additionally, the Company is proposing ratemaking measures to mitigate the potential impacts of the rate increase for this proceeding. First, the Company proposes to apply approximately $86.9 million of the balance of the deferred tax benefits associated with the Tax Cuts and Jobs Act ("TCJA") to pay down the undepreciated plant balances of Cholla Unit 4 and Naughton Units 1 and 2. Buying down these plant balances provides customers both near- and long-term cost reductions. Second, the Company proposes to defer depreciation expense to a regulatory asset to extend the recovery for Craig Units 1 and 2 and for Jim Bridger Units 1 and 2. This regulatory asset extends the recovery period in rates for the plant balances from the filed 2018 Depreciation Study,[2] in which depreciation rates for these units reflect accelerated retirement dates. Extending the recovery period through a

[1] *In the Matter of the Application of Rocky Mountain Power for Approval of a General Rate Increase in its Retail Electric Utility Service Rates in Wyoming of $32.4 Million per Year or 4.5 Percent,* Docket No. 20000-469-ER-15 (Record No. 14076), Memorandum Opinion, Findings of Fact, Decision and Order (Dec. 30, 2015).

[2] *In the Matter of Rocky Mountain Power's Application for an Order Authorizing a Change in Depreciation Rates Applicable to Electric Property,* Docket No. 20000-539-EA-18 (Record No. 15095) Application (Sept. 11, 2018.

regulatory asset reduces the rate pressure for Wyoming customers while retaining consistent depreciation rates across all Rocky Mountain Power states. Altogether these proposed rate mitigation measures reduced the revenue requirement increase by $17.7 million, or 2.7 percent.

As explained by Mr. Hoogeveen, the request in this case demonstrates the Company's prudent and efficient management of its costs that has allowed the Company to stay out of general rate cases since 2015 all while adhering to the core principle of providing energy solutions in the form of safe, reliable, and affordable service for customers. In addition, the requests in this case bring to customers the benefits of low-cost new and repowered wind resources that lower net power costs ("NPC") and pass along the savings of federal production tax credits ("PTCs") as well as transmission investments to support and strengthen the bulk power system.

The Company is also proposing changes to the Energy Cost Adjustment Mechanism ("ECAM") and to customer rate designs by proposing new time-of-use pilot programs. These changes are intended to reflect more current cost drivers and send more appropriate price signals to assist customers in managing their electricity usage and help them control costs.

Q. How is your direct testimony structured?

A. Section III of my testimony provides an overview of the Company's last rate case filing. Section IV provides an overview of this rate case filing, including a discussion of primary drivers. Section V discusses the rate mitigation proposals included in this rate request. Section VI discusses the Company's request for Commission approval to discontinue operations at Cholla Unit 4 and remove it from service. Section VII discusses the treatment of costs associated with certain repowering wind projects that is the subject of the Company's request for deferral treatment in Docket No. 20000-575-EA-19.

Q. Please summarize the recommendations you make in your direct testimony.

A. I recommend that the Wyoming Public Service Commission ("Commission"):

- Authorize an increase of $7.1 million or approximately 1.1 percent. The support for the overall increase is set forth in my testimony and the testimony of the other Company witnesses;
- Approve as prudent the Company's request to include the incremental additions to the Company's rate base, including Energy Vision 2020, the repowering of Leaning Juniper and Foote Creek I, the Pryor Mountain Wind Project, the installation of selective catalytic reduction retrofits on certain generating units, and the conversion of Naughton Unit 3 to gas for a total rate base of approximately $2.3 billion, as discussed in the testimony of various witnesses in this rate case;
- Approve an overall cost of capital of 7.69 percent, which is comprised of a capital structure of 53.52 percent equity, 46.47 percent long-term debt, and 0.01 percent preferred stock as supported by Ms. Nikki L. Kobliha; and a return on equity ("ROE") of 10.2 percent as supported by Ms. Ann E. Bulkley;
- Approve the rate mitigation proposals, including application of the remaining TCJA benefits to buy-down plant balances of Cholla Unit 4 and Naughton Units 1 and 2, and creation of a regulatory asset for recovery of Jim Bridger Units 1 and 2 and Craig Units 1 and 2 plant balances that I describe in my testimony;

- Approve the Company's request to discontinue operations at Cholla Unit 4 and remove it from service, as supported by the economic analysis in Mr. Rick T. Link's testimony, and creation of a regulatory asset for the recovery of costs for closure and decommissioning of the facility;
- Approve the Company's proposal for modifications to the ECAM to eliminate the sharing band and incorporate PTCs into the mechanism, as discussed in the testimonies of Mr. Michael G. Wilding and Mr. Frank C. Graves;
- Approve the update to certain customer service charges on Schedule 300, and a proposal for a 50 cent bill credit for customers who opt out of receiving paper bills as set forth in the testimony of Ms. Melissa S. Nottingham; and
- Approve the innovative and equitable cost of service and rate design proposals, including two new innovative pilots for large industrial customers, set forth in the testimony of Mr. Robert M. Meredith.

III. PREVIOUS RATE CASE HISTORY

Q. Please discuss the Company's most recent general rate case and its outcome.

A. The Company's efficient management of costs has allowed the Company to avoid the need to file a general rate case for five years. On March 2, 2015, the Company filed its 2015 Rate Case requesting an increase in revenues from Wyoming operations for an overall price change of 4.5 percent or $32.4 million. The Commission authorized a rate increase of approximately $16.0 million.[3]

[3] Docket No. 20000-469-ER-15 (Record No. 14076).

Q. What is the Company's overall retail average rate change in Wyoming since 2015?

A. Since the conclusion of the Company's 2015 Rate Case with rates effective January 1, 2016, the Company's Wyoming customers have seen an overall average retail rate decrease of 6.1 percent, from 7.43 cents per kilowatt-hour ("kWh") for the 12-month period ending June 30, 2016 to 6.98 cents per kWh for the 12-month period ending June 30, 2019. In contrast, inflation saw a 6.3 percent increase over this same time period.[4] Even with the Company's proposed increase in this case, overall average rates will continue to be less than 2016 at 7.23 cents per kWh.

IV. OVERVIEW OF RATE CASE

Q. What is the purpose of this Section of your direct testimony?

A. In this section of my testimony, I explain the various components of the Company's rate case filing. I also explain the primary drivers of the requested increase in the Company's rates.

Q. What test period is the Company proposing in this rate proceeding?

A. The test period the Company is proposing is a fully forecasted test year for the 12 months ending December 31, 2021. The use of a fully forecasted test period is necessary to reflect the updated depreciation study, which goes into effect January 1, 2021, and the new capital additions that go into service through 2021. Absent approval of a fully forecasted test year, the Company would need to consider back-to-back rate cases in order to recover our costs, which would result in considerable time and expense for all stakeholders and greater uncertainty in rates for customers. The testimony of Mr. Nicholas L. Highsmith discusses the development of the test period.

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[4] *CPI Inflation Calculator*, Bureau of Labor Statistics, https://www.bls.gov/data/inflation_calculator.htm (comparing January 2016 to January 2019).

Q. What rate of return is the Company requesting in this case?

A. The Company is requesting approval of an overall rate of return of 7.69 percent. The overall rate of return reflects a 10.2 percent ROE as supported by Ms. Bulkley. As explained by Ms. Kobliha, PacifiCorp is requesting approval of a capital structure that is comprised of 53.52 percent equity, 46.47 percent long-term debt, and 0.01 percent of preferred stock. Mr. Highsmith applies the overall rate of return in the calculation of the Company's Wyoming-allocated revenue requirement.

Q. Is the Company using a new inter-jurisdictional allocation methodology in this rate case?

A. Yes. The Company filed with the Commission the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol ("2020 Protocol") on December 3, 2019.[5] As explained by Mr. Highsmith, the Company used the 2020 Protocol to develop the revenue requirement in this proceeding. However, the only material difference between the previously approved 2017 Protocol and the 2020 Protocol that applies in this case is a modification to the Embedded Cost Differential and the inclusion of a $5 million annual qualifying facility adjustment, which reduces net power costs in Wyoming.

Q. Please describe the primary drivers of PacifiCorp's rate request.

A. The primary drivers of the Company's general rate request are: (1) capital additions; and (2) updated depreciation rates. I discuss each of these drivers in more detail below.

Q. Please describe the capital additions drivers in this rate request.

A. The major driver is the Company's capital investment since the last rate case and through calendar year 2021 test period. The most significant investments in this

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[5] *In the Matter of the Application of Rocky Mountain Power for Approval of the 2020 Inter-Jurisdictional Cost Allocation Agreement,* Docket No. 20000-572-EA-19 (Record No. 15400) (Dec. 4, 2019).

proceeding are: (1) the Energy Vision 2020 projects, along with repowering projects for Leaning Juniper and Foote Creek I; and (2) the new Pryor Mountain Wind Project. Other capital additions include selective catalytic reduction retrofit projects at certain generating units, the conversion of Naughton Unit 3 to natural gas, and various transmission projects. These capital investments are more fully discussed in the testimonies of Mr. Link, Mr. Chad A. Teply, Mr. Timothy J. Hemstreet, and Mr. Richard A. Vail.

Q. What are the major components of Energy Vision 2020?

A. Energy Vision 2020 consists of two major components, both of which are included in this case: (1) wind repowering ("Repowering Projects")[6]; and (2) investments in new wind and transmission ("New Wind and Transmission Projects").

Q. Please describe the Repowering Projects.

A. As explained in the testimony of Mr. Hemstreet, the Repowering Projects involve upgrading PacifiCorp's existing wind facilities to increase the amount of zero-fuel-cost energy they produce. By complying with federal tax requirements for wind repowering and completing the work by the end of 2020, the Company is able to renew the federal PTCs on all repowered wind facilities for another 10 years. The Commission approved repowering for 11 of the Company-owned wind facilities in in Docket No. 20000-519-EA-17.[7] In Docket No. 20000-519-EA-17, the Commission approved a cost cap for the Company's investment in the Repowering Projects. In this general rate case filing, the

[6] "Repowering Projects" refers to the repowering of the following wind facilities: Glenrock I, Glenrock III, Rolling Hills, Seven Mile Hill I, Seven Mile Hill II, High Plains, McFadden Ridge, Dunlap, Marengo I, Marengo II, and Goodnoe Hills.

[7] *In the Matter of the Application of Rocky Mountain Power for an Order Approving Nontraditional Ratemaking Related to Wind Repowering,* Docket No. 20000-519-EA-17 (Record No. 14780), Memorandum Opinion, Findings and Order Approving Stipulation (Dec. 21, 2018).

Company provides an update for the Repowering Projects and demonstrates that upgrades to repower additional wind facilities, Leaning Juniper and Foote Creek I, are prudent and in the public interest. For further details regarding the repowering projects, see Mr. Hemstreet's testimony. Mr. Link provides in his testimony the economic analysis of repowering the Leaning Juniper and Foote Creek I wind facilities.

Q. Do the Leaning Juniper and Foote Creek I repowering projects provide quantifiable benefits to customers?

A. Yes. As described in the testimony of Mr. Hemstreet and Mr. Link, the Leaning Juniper and Foote Creek I projects produce net customer benefits across a range of price-policy scenarios.

Q. Please describe the New Wind and Transmission Projects.

A. By the end of 2020, the Company will add 1,150 megawatts ("MW") of new wind resources in Wyoming. These resources are three facilities built by the Company, the 500 MW TB Flats I and II facilities and the 250 MW Ekola Flats project, and one facility that is a combined build-transfer and power purchase agreement, the 400 MW Cedar Springs facility. The Company is also building a new, 140-mile Gateway West transmission segment – the 500 kV Aeolus-to-Bridger/Anticline Transmission Project, plus generation interconnection network upgrades in Wyoming to enable the new wind generation. Mr. Teply provides an update regarding the New Wind and Transmission Projects.

Q. What is the status of the construction of the New Wind and Transmission Projects?

A. The New Wind and Transmission Projects are scheduled to be in-service in the last quarter of 2020, before the rate effective date in this case. This will ensure that the new wind facilities qualify for PTCs. Mr. Teply provides an update regarding the construction status of these projects.

Q. Has the Company requested Certificates of Public Convenience and necesity ("CPCNs") for the New Wind and Transmission Projects?

A. Yes. The Company requested and received CPCNs for the New Wind and Transmission Projects in Docket No. 20000-520-EA-17.[8] In Docket No. 20000-520-EA-17, the Commission approved a cost cap for the Company's investment in the New Wind and Transmission Projects.

Q. Please describe cost caps approved by the Commission for the Repowering Projects and the New Wind and Transmission Projects.

A. The settlement agreements approved by the Commission in Docket Nos. 20000-519-EA-17 and 20000-520-EA-17 imposed a cost cap for the projects that were approved in those proceedings. The settlement agreements also specified that if the Commission approved each settlement agreement in those dockets, then the cost caps would be combined into a single cost cap over the estimated costs for Energy Vision 2020 approved in both proceedings. As Mr. Teply explains, the Company is currently

[8] *In the Matter of the Amended Application of Rocky Mountain Power for Certificates of Public Convenience and Necessity and Nontraditional Ratemaking for Wind and Transmission Facilities*, Docket No. 20000-520-EA-17 (Record No. 14781) Memorandum Opinion, Findings and Order Approving Stipulation (Oct. 8, 2018).

forecasted to deliver these projects within the approved cost cap. As such, these are prudent and reasonable costs that should be included in the Company's rate base.

Q. Please describe the other major capital driver, Pryor Mountain Wind Project.

A. As explained by Mr. Teply, the Pryor Mountain Wind Project will have a nameplate capacity of 240 MW. The facility will be located on a site in Carbon County, Montana, approximately 60 miles south of Billings, Montana. Further, with respect to this project, PacifiCorp and Vitesse, LLC (a wholly-owned subsidiary of Facebook, Inc.) executed an agreement for the purchase of all renewable energy certificates ("RECs") generated by the Pryor Mountain Wind Project over a 25-year period under the Company's Oregon Schedule 272 – Renewable Energy Rider Optional Bulk Purchase Option.

Q. Does the Pryor Mountain Wind Project provide quantifiable benefits to customers?

A. Yes. As described in the testimony of Mr. Link, the Pryor Mountain Wind Project produces net customer benefits across a range of price-policy scenarios.

Q. What is the status of the construction of the Pryor Mountain Wind Project?

A. The project is scheduled to be in service in December 2020, before the rate effective date in this case. This will ensure that the project qualifies for PTCs. Mr. Teply provides more information regarding the construction of this project.

Q. How does the Company treat the revenues received from the sales of RECs from the Pryor Mountain Wind Project?

A. Wyoming's allocation of the revenue from the sale of RECs for this project will be passed back to customers through the annual adjustment on Schedule 93, the REC and

SO_2 Revenue Adjustment Mechanism, which is filed with the Commission every year on April 15.

Q. Please describe the updated depreciation rates and decommissioning costs driver in this rate request.

A. On September 11, 2018, the Company filed an application and supporting testimony for an order authorizing a change in depreciation rates effective as of January 1, 2021, which initiated Docket No. 20000-539-EA-18 ("2018 Depreciation Study").[9] Around the same time the Company filed similar applications for approval of the 2018 Depreciation Study in Idaho, Oregon, Utah, and Washington. On January 16, 2020, pursuant to the 2020 Protocol, the Company filed an updated decommissioning study in the same states for seven specific resources: Jim Bridger, Dave Johnston, Hunter, Huntington, Naughton, Wyodak, and Hayden.[10] Since the initial filing in September 2018, the Company has held several settlement meetings with parties in all states. In February 2020, the Company reached an agreement-in-principle with parties in Idaho, Utah, and Wyoming in which the Company agreed to certain adjustments to the initial filing. In this rate request, the Company has incorporated the depreciation rates filed on September 11, 2018 in Docket No. 20000-539-EA-18, with the modifications agreed to in principle.[11] In addition to changes to certain transmission, distribution and general plant accounts, the modifications include: (1) the removal of Cholla Unit 4 from depreciation rates as of December 2020; and (2) the conversion of Naughton Unit 3 to

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[9]*In the matter of Rocky Mountain Power's Application for an Order Authorizing a Change in Depreciation Rates Applicable to Electric Property,* Docket No. 20000-539-EA-18 (Record No. 15095) Application (Sept. 11, 2018).

[10] Docket No. 20000-539-EA-18 (Record No. 15095), Decommissioning Report (Jan. 16, 2020).

[11] At the time of filing this general rate case, the Company is working with Wyoming parties to finalize the documents for the settlement and is targeting filing the settlement agreement by March 6, 2020.

natural gas, with a retirement date of 2029. Mr. Highsmith's direct testimony addresses the application of the new depreciation rates to the revenue requirement.

Q. What changes is the Company proposing to the ECAM in this proceeding?

A. The Company proposes changes to the annual ECAM to remove the sharing band, include PTCs, and update the ECAM for the 2020 Protocol by eliminating the embedded cost differential and including the Wyoming qualifying facility adjustment. As explained in the testimonies of Mr. Wilding and Mr. Graves, the ECAM does not reflect the changes in the energy industry and markets and does not provide an effective incentive to the Company to control net power costs since many of the costs are outside of the Company's control. Removing the sharing band from the ECAM puts the focus of inquiry on the prudence of the Company's actions relative to activities it can control.

Q. Please explain the Company's overall approach to designing customer rates in this proceeding?

A. The Company continues the Commission's long-established practice of designing rates to be aligned with the cost of service. The proposed allocation of the revenue requirement and rates reflect the changing conditions since the Company's last rate case five years ago. For rates, the Company makes several rate design updates and various tariff changes to modernize and simplify existing tariffs, including a new monthly credit to customers that choose a paperless billing option. Additionally, the Company is proposing several new pilot rate programs that will provide customers new options to better control their bills based on their ability to shape their usage to take advantage of low-cost periods. The cost of service study, rate design, proposed pilots and tariffs are explained in greater detail in Mr. Meredith's testimony. Ms. Nottingham discusses updates to customer service charges and the paperless bill credit.

V. RATE MITIGATION PROPOSALS

Q. What is the purpose of this section of your direct testimony?

A. The purpose of this section of my testimony is to discuss the two mitigation proposals in this proceeding that minimize the requested rate increase. First, the Company is proposing to reduce rate pressure by using the remaining deferral balance related to the TCJA to buy down the plant balances for Cholla Unit 4 and Naughton Units 1 and 2. Second, the Company is proposing to extend recovery of Jim Bridger Units 1 and 2 and Craig Units 1 and 2 beyond the depreciation lives in the 2018 Depreciation Study for recovery through a regulatory asset. Altogether these mitigation measures reduce the revenue requirement increase by $17.7 million.

Q. What is the TCJA?

A. The TCJA was enacted in December 2017 and lowered the federal income tax rate from 35 percent to 21 percent. The Commission required utilities, including the Company, to record the difference between the federal income tax liability under the law in effect on December 31, 2017, and the law in effect on and after January 1, 2018, to a deferred regulatory account. Utilities were also directed to develop plans to return this benefit to customers.

Q. Have the Company's customers already received benefits of the TCJA?

A. Yes. Through the Commission's Orders in Docket Nos. 20000-536-ER-18 and 20000-560-EA-19, the Company's Wyoming customers have already experienced a sizable decrease in rates through its pass-through of the change in the corporate income tax rate established by the TCJA.

In its Order in Docket No. 20000-536-ER-18, the Commission approved the return to customers of the TCJA benefits through (1) an annual refund to customers of $22.5 million through Schedule 197, the Federal Tax Act Adjustment, until new base rates from the next general rate case are in effect; (2) a $3.6 million offset to the 2018 ECAM and REC and SO_2 Revenue Adjustment Mechanism; and (3) deferral of the remaining amounts in a regulatory liability account.[12] Subsequently, in its Order in Docket No. 20000-560-ER-19, the Commission approved a settlement that provided for: (1) a $3.96 million offset to the Company's 2019 ECAM; (2) an $11.34 million increase to the customer refund on Schedule 197; and (3) a $4.0 million offset to the deferred regulatory asset balance approved in Docket Nos. 20000-486-EA-15 and 20000-510-EA-17.[13] Settling parties agreed that any amounts remaining in the TCJA deferral account would be addressed in this general rate case.

Q. What is the remaining balance of the TCJA deferred regulatory account?

A. The remaining balance of the TCJA deferred regulatory liability is approximately $90.6 million, details of which are discussed in the testimonies of Ms. Kobliha and Mr. Highsmith.

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[12] *In the Matter of the Application of Rocky Mountain Power to Decrease Rates by $26.1 million to Refund Customers for the 2017 Tax Reform Act*, Docket No. 20000-536-ER-18 (Record No. 14999), Memorandum Opinion, Findings and Order, Approving Application Nunc Pro Tunc (Aug. 29, 2019).

[13] *In the Matter of the Application of Rocky Mountain Power to Decrease Rates by $0.4 million under Tariff Schedule 197, 2017 Federal Tax Cut Adjustment,* Docket No. 20000-560-ER-19 (Record No. 15240), Memorandum Opinion, Findings and Order Approving Application and Stipulation (Feb. 10, 2020).

Q. How is the Company proposing to use the remaining TCJA deferred balance in this proceeding?

A. The Company is proposing to apply the majority of the balance, approximately $86.9 million to depreciate, or buy-down, Wyoming's allocation of the plant balances of certain generation units. The remaining TCJA balance, estimated to be $3.7 million, will be passed back to customers through rates over three years. Specifically, the Company is proposing to apply the funds to depreciate the plant balances of Cholla Unit 4 and Naughton Units 1 and 2. This treatment benefits customers by reducing the revenue requirement both in this case and in the longer term by eliminating a significant portion of the known customer cost obligations for the plants.[14] As discussed by Mr. Highsmith, buying down these balances reduces the revenue requirement increase by $14.2 million per year.

Q. Why is the Company proposing to depreciate the balance for Cholla Unit 4 at this time?

A. As discussed later in my testimony, and more specifically by Mr. Link, the Company has determined that it is economic to close Cholla Unit 4 at the end of 2020. Once a unit closes, the Company would need to seek recovery of unrecovered investment, as well as closure and incremental decommissioning costs, through a regulatory asset. In lieu of recovering the approximate $41.5 million in remaining plant balance through a regulatory asset, the Company believes it would be reasonable to use the deferred tax savings to depreciate this cost so remaining cost recovery for this plant would be greatly

[14] Cost recovery obligations will continue to exist for new capital that may be prudently-incurred but not yet reflected in the plant balances at Naughton 1 and 2, as well as closure and incremental decommissioning costs at both Cholla and Naughton plants. Mr. Highsmith's direct testimony addresses the proposal to create a regulatory asset for recovery of Cholla closure and decommissioning costs.

reduced once the plant ceases operations. If the tax deferral is not used to depreciate this balance, the Customer's revenue requirement need in this case would increase by approximately $9 million.[15]

Q. Why is the Company proposing to depreciate the balance for Naughton Units 1 and 2 at this time?

A. Unlike Cholla Unit 4, Naughton Units 1 and 2 are expected to continue operating for several more years--through 2025, based on the economic analysis in the Company's 2019 Integrated Resource Plan ("2019 IRP").[16] Current and proposed depreciation rates are designed to recover costs through 2029. With the potential operations by the Company extending through only 2025, buying down the Wyoming-allocated plant balance for Naughton Units 1 and 2, which is approximately $45.4 million, or $5.9 million per year, would reduce the overall cost obligation to customers once those units retire (or discontinue service under the Company's ownership). Buying down the plant balances for these units facing a more near-term retirement provides greater near-term value to customers than applying the same amount of funds to buy-down units in facilities that will have overall longer lives.

Q. Does buying-down the plant for Naughton Units 1 and 2 have any impact on the Company's on-going operation of the units?

A. No. The Company will continue to operate the units for customers as long as it is economic to do so.

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[15] This assumes recovery of the balance through April 2025, which was the proposed depreciation life in the 2018 Depreciation Study, in Docket No. 20000-539-EA-18 (Record No. 15095).

[16] *In the Matter of the Filing of Rocky Mountain Power of Its Integrated Resource Plan (IRP) for 2019*, Docket No. 20000-552-EA-19 (Record No. 15192) IRP (Oct 18, 2019).

Q. Please explain the Company's next rate mitigation proposal—creating regulatory asset accounts to recover the plant balances of the Jim Bridger Units 1 and 2 through 2037 and the Craig Units 1 and 2 through 2034.

A. The Company's proposal to extend the cost recovery period of the plant balances for these units beyond the depreciation life reduces near-term rate pressure.

First, for Jim Bridger Units 1 and 2, the Company's currently pending depreciation study accelerated the lives for these units from 2037 to 2028 and 2032, respectively. The Company's 2019 IRP shows the units are economic to operate until 2023 for Unit 1 and 2028 for Unit 2. However, the assumed lives for Units 3 and 4 at the Jim Bridger plant remain unchanged at 2037. Since half of the units at the plant are expected to continue to operate until 2037, it is reasonable to extend recovery of the costs through the remaining operating life of the plant in order to reduce rate pressure. This proposed extension of cost recovery beyond the units' depreciable lives reduces the revenue requirement increase by approximately $1.7 million, as identified in the direct testimony of Mr. Highsmith.

Regarding the Craig Units 1 and 2, the currently-pending depreciation study shows an acceleration of the depreciation lives from 2034 for both units to 2025 and 2026, respectively. In order to reduce the rate pressure from this acceleration, but retain common depreciation lives for the units across all Rocky Mountain Power states, the Company proposes to extend recovery through a regulatory asset in Wyoming, which reduces the revenue requirement increase by approximately $1.7 million per year, as identified in the direct testimony of Mr. Highsmith.

VI. CLOSURE OF CHOLLA UNIT 4

Q. Please describe Cholla Unit 4 and the Company's decision to retire the unit.

A. On December 27, 2019, the Company announced it would retire Cholla Unit 4 by December 31, 2020. The Cholla power plant consists of four units located near Joseph City, Arizona, with a combined generating capability of 995 MW. The Company owns approximately 37 percent of the plant's common facilities and 100 percent of Unit 4, which was commissioned in 1981 with a generating capability of 395 MW. Based on an economic analysis discussed by Mr. Link, the Company initiated the process of retiring Unit 4 and anticipates being able to achieve retirement by year-end 2020.

Q. Is the Company required to file an application with the Commission prior to the discontinuing operations at Cholla Unit 4?

A. Yes. While I am not an attorney, my understating is that Commission Rule Chapter 3, Section 21(e) requires that a utility file an application with Commission prior to discontinuing operations at Cholla Unit 4 and removing it from service. The Company is incorporating its application under Commission Rule Chapter 3, Section 21(e) as part of this rate case filing.

Q. What requirements must the Company satisfy under Commission Rule Chapter 3, Section 21(e)?

A. The Commission Rule requires that such application include all studies of past, present and prospective customer use of the facility or service. Mr. Link provides the studies required under Chapter 3, Section 21(e) in his testimony and workpapers. Based upon the analysis provided by Mr. Link, the Company requests that the Commission approve its request to discontinue operations at Cholla Unit 4 and remove it from service.

Q. Is the Company requesting a deferral account associated with the closing costs related to the retirement of Cholla Unit 4?

A. Yes. While the Company proposes to use the deferred tax benefits from the TCJA to buy-down the remaining plant balance, other costs associated with closing and decommissioning the unit remain. As discussed by Mr. Highsmith, the Company proposes to recover these costs through a regulatory asset account in order to track the actual costs.

VII. DEFERRAL OF COSTS RELATED TO REPOWERED WIND PLANTS

Q. What is the purpose of this section of your direct testimony?

A. In this section of my testimony, I discuss the proposal in this rate case filing related to the Company's pending application for authorization to defer costs related to repowered wind plants, which initiated Docket No. 20000-575-EA-19.[17]

Q. Please describe the Company Application in Docket No. 20000-575-EA-19.

A. The Company filed an application requesting deferral treatment that will allow it an opportunity to recover prudently-incurred costs, net of benefits, of the Repowering Projects and Leaning Juniper project that have, or will, go into service in 2019 or 2020, outside of the test period of this rate case filing. Allowing deferral of the costs, net of the PTC benefits, will appropriately match the recovery of costs with the net power cost benefits that will otherwise flow through the ECAM. Specifically, the Company proposes to defer the following costs for recovery: (1) the return on investment; (2) depreciation expense; (3) operations and maintenance costs; (4) property taxes; (5)

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[17] *In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer Costs Related to Repowered Wind Plants or for Alternative Relief,* Docket No. 20000-575-EA-19 (Record No. 15414) Application (Dec. 30, 2019).

wind taxes, if assessed; (6) incremental NPC benefits; and (7) incremental PTC benefits.

In the alternative, if the Commission determines that the Repowering Projects costs and PTC benefits are not appropriate for deferred accounting, or that the Leaning Juniper costs and PTC benefits are not appropriate for deferred accounting, the Company requests a non-precedential exception to the ECAM of removing the benefits of the Repowered Wind Plants and of Leaning Juniper from the ECAM until the rate effective date of the Company's next general rate case. As part of this alternative proposal, the Company proposes to remove the ECAM sharing band on the NPC savings associated with the Repowered Wind Plants and Leaning Juniper, and demonstrates that under the Company's accounting deferral proposal customers will receive 100 percent of the repowering NPC benefit.

Q. If the Commission approves the Company's request for deferred accounting in Docket No. 20000-575-EA-19, how does the Company propose to incorporate those costs in this rate case filing?

A. The Company is not proposing to include these deferred costs in the revenue requirement in this case. Instead, the Company is proposing that the deferred costs be recovered through the Company's ECAM. Recovery of these costs through the ECAM is appropriate because actual costs will not be known until final capital, operating costs, NPC and PTCs are calculated. For further discussion regarding the recovery of these costs please see Mr. Highsmith's testimony.

VIII. RECOMMENDATION

Q. Please summarize the Company's recommendation.

A. I recommend the Commission approve the Company's requested rate increase of approximately $7.1 million that includes proposed rate mitigation measures, proposed changes to the ECAM, proposed updates and changes customer rate designs, and the other recommendations included within the Company's Application and supporting witness testimony.

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

AFFIDAVIT, OATH AND VERIFICATION OF TESTIMONY

Joelle Steward (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

Affiant is the Vice President of Regulation for PacifiCorp d/b/a Rocky Mountain Power, which is a party in this matter.

Affiant prepared and caused to be filed the foregoing testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony and all of its associated attachments are true and complete and constitute the recommendations of the Affiant in her official capacity as Vice President of Regulation.

Further Affiant Sayeth Not.

Dated this 25 day of February, 2020

Joelle Steward
Vice President of Regulation
1407 W North Temple Suite 330
Salt Lake City, UT 84116

STATE OF Utah)
) SS:
COUNTY OF Salt Lake)

The foregoing was acknowledged before me by Shannon Sanchez on this 25 day of February, 2020. Witness my hand and official seal.

Shannon Sanchez
Notary Public

My Commission Expires:

Notary Public - State of Utah
SHANNON SANCHEZ
Comm. #703093
My Commission Expires
October 29, 2022